

Exhibit A



Options Probe Derails UTStarcom Stock

Peter Kang, 11.08.06, 3:23 PM ET

Shares of **UTStarcom** tumbled 6.6% Wednesday afternoon after the telecom-equipment maker said it was investigating grants of stock options grants.

The Alameda, Calif.-based company, which books about a third of its sales in China, said the "voluntary review" will delay the release of third-quarter results for an unspecified amount of time.

More than 150 U.S. companies are either embroiled in internal probes or are being investigated by the government for potential abuses relating to stock options. Most of these cases involve what is known as backdating, the practice of pricing options based on dates when the companies' shares were trading at low prices. The pricing dates often seem to have had no relation to the date of the options grants.

Before the UTStarcom announcement, the company's stock had been rising since it made an Oct. 11 announcement that it was exploring "strategic alternatives to enhance stockholder value."

Bear Stearns analyst Evan Erlanson said the options investigation will likely be a near-term burden on the stock.

"We now believe that potential emergence of legal and regulatory issues will likely outweigh any positive sentiment on the sector, while reducing the likelihood of an M&A transaction," Erlanson wrote in a client note Wednesday.

The company's fundamentals, the analyst said, remain weak and he does not think UTStarcom will turn a profit any time soon. He downgraded the company's shares to "underperform" from "neutral."

"We do not expect the company, as it is currently structured, to return to profitability, as its key profit-generating businesses are in terminal decline and the company does not yet have other viable sources of profitable revenue growth," he said.

Erlanson also added that he expects the company to take further restructuring charges in the year ahead.

UTStarcom is also facing a number of legal issues, the analyst said, most significant of which is alleged violations of the Foreign Corrupt Practices Act in regard to contracts in Mongolia, India and Thailand.

"We believe that the existence of these issues also limits potential upside from a hypothetical acquisition scenario, as potential acquirers would likely be unwilling to assume these legal risks," he said.